



BUDGET WEEK UPDATE

Committee on the Budget • Majority Caucus
U.S. House of Representatives
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Volume 3, Number 9 (updated)

Summarizing budgetary issues in legislation
scheduled for the House floor

2 April 2003

Week of 31 March 2003

SUSPENSION CALENDAR

1) *The Higher Education Relief Opportunities for Students Act of 2003* (H.R. 1412).

This bill extends the Secretary of Education's specific waiver authority within title IV of the Higher Education Act, and allows the Secretary to provide assistance and flexibility to members of the Armed Services as they transfer in and out of postsecondary education during a time of national emergency. This waiver authority ensures that students are not put in a worse financial position with regard to their student loans or grant aid as a result of being called to active duty or active service. The Committee on Education and the Workforce had considered an amendment that would have resulted a \$15-million increase in direct spending related to certain guaranteed student loans and the method of their repayment. The Education and Workforce Committee will not, however, offer the amendment. The bill does not cause any increase in direct spending, and is in compliance with the Congressional Budget Act.

LEGISLATION CONSIDERED UNDER A RULE

Bill: *Federal Deposit Insurance Reform Act of 2003* (H.R. 522).

Committee: Financial Services

Summary: This bill amends provisions of banking and credit union law to reform the deposit insurance system. Specifically, the bill increases insurance coverage for insured accounts from \$100,000 per account to \$130,000 for most accounts (with higher levels of coverage for retirement accounts and municipal deposits). Over time, the coverage limit for insured deposits would increase for inflation. Those provisions of the bill would affect deposits held by banks and thrifts, as well as those held by credit unions. In addition, the bill would merge the Bank Insurance Fund and the Savings Association Insurance Fund to create a new Deposit Insurance Fund. This Fund would pay the claims of depositors of failed banks and thrifts. Finally, the bill amends the conditions under which banks and thrifts pay insurance premiums to the Federal Deposit Insurance Corporation, which administers the funds.

Cost: The bill, as reported, would cause net direct spending in outlays to increase by \$700 million in 2004, and \$3.4 billion over the 2004-2008 period. This increase occurs because the net cost of resolving failed financial institutions will rise by \$2.1 billion over the next 10 years. Under the bill, the Federal Deposit Insurance Corporation [FDIC] and the National Credit Union Association would offset some of that cost through increased insurance premiums paid by financial institutions. The Congressional Budget Office [CBO] has determined that H.R. 522 would allow institutions to pay FDIC premiums with credits in lieu of cash; consequently the additional cost of resolving failed financial institutions under

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Reader's Note: This is a follow-up version of *Budget Week* for the week of 11 November 2002. The initial issue of this *Budget Week* is available at the committee's web site, identified above.

the bill would exceed the cash receipts from additional premiums. Therefore, CBO believes that the FDIC would bear nearly all of the increased costs of resolving failed institutions during the next 5 years, when most of the credits would be used.

Budget Act: The bill would increase outlays by \$3.4 billion over five years, but due to technical considerations in the way budget authority is characterized at the FDIC, no new budget authority will be required. The 302(f) point of order prohibiting a breach in the allocation of a committee apply against budget authority rather than outlays in the House of Representatives. The bill will violate the 302(f) point of order will apply in the Senate. In addition, the bill first increases outlays in fiscal year 2004, not in 2003, so though overall spending has breached the aggregate level of spending for 2003, no enforceable aggregate level has been established for next year – that will occur upon the adoption of the budget resolution for that year.

The bill makes a conforming change to the Balanced Budget And Emergency Deficit Control Act Of 1985. The list of programs that are exempt from sequestration under the Act is amended by the bill to recognize the creation of the Deposit Insurance Fund through the merger of the Bank and Savings Association Insurance Funds. The Balanced Budget and Emergency Deficit Control Act Of 1985 is within the jurisdiction of the Committee on the Budget. Section 306 of the Congressional Budget Act prohibits the House from considering any bill that contains matters within the jurisdiction of the Committee on the Budget unless that bill has been reported by the Committee on the Budget. H.R. 522 was not referred to or reported from the Committee on the Budget and is therefore in violation of the Congressional Budget Act.